

STATEMENT OF JOHN W. CRICHTON,  
PRESIDENT AND CHIEF EXECUTIVE OFFICER,  
NAV CANADA  
BEFORE THE HOUSE AVIATION SUBCOMMITTEE  
APRIL 20, 2005

Chairman Mica, Ranking Member Costello, and other Members of this distinguished Subcommittee, on behalf of NAV CANADA'S 5,400 employees, thank you for the opportunity to testify today. Our dedicated employees are justifiably proud of what NAV CANADA has accomplished since the company began operating the Canadian air navigation system in November 1996. On their behalf, I appreciate the chance today to describe the background of NAV CANADA, our structure and our continuing successes improving safety, lowering fees and accelerating air traffic modernization.

At the outset, let me emphasize that we have an excellent working relationship with the FAA. We work seamlessly with the FAA on a daily basis safely and efficiently exchanging the highest volume of transborder traffic in the world. It is a partnership that works very well. No day was the strength of our cooperative relationship illustrated more clearly than on September 11, 2001. Working with NORAD and the FAA, we safely cleared Canadian skies of more than 1,500 aircraft, including hundreds of jumbo jets inbound to the US from Europe and Asia. Our employees are deeply grateful for the appreciation expressed by both President Bush and Secretary Mineta in recent speeches. We were very pleased that we could be of assistance to our US friends on that tragic day.

Mr. Chairman, attached are a number of slides that elaborate on several key points

I wish to make today:

- NAV CANADA is a private corporation that operates on a not-for-profit basis. Transport Canada, which prior to November 1996 owned and operated Canada's air navigation system, now functions solely as our arm's length, independent safety regulator. The Canadian Government designates three directors to serve on our 15 member Board of Directors. The Federal Government, however, does not fund NAV CANADA, guarantee our debt or function as a financial backstop. We are financially self-sufficient in all respects.
- NAV CANADA is organized as a non-share capital corporation. We have no equity and, accordingly, no need or pressure to generate financial returns for shareholders. Instead, our four "members" – commercial carriers; the Canadian Government; our unions; and general aviation – participate in the governance of the company by appointing Directors in varying numbers. We rely on debt financing which is less expensive than equity funding.
- In 1998, the Canadian Government rescinded the Air Transportation Tax that funded air navigation services previously provided by Transport Canada. In its place, we phased in a service fee-based system developed in consultation with customers and approved by the stakeholder Board that seeks to fully cover the cost of services provided. For commercial carriers, who provide the vast majority of fee revenue, we use a weight and distance formula based on International Civil Aviation Organization (ICAO) principles to recover the cost of terminal, en route and oceanic services.
- Safety has improved on NAV CANADA's watch. As measured by loss of separation, safety is better today than when air navigation services were provided by Transport Canada. Among key contributing factors are: rigorous safety oversight by Transport Canada which now functions as an independent, arm's length safety regulator; internal safety initiatives we implemented that did not exist previously; and the deployment of safety-enhancing modern technologies.
- Fees have declined. Today, commercial customers pay around 20 percent less than they would have under the old Air Transportation Tax. Prior to September 11, 2001, fee savings were even greater. However, in the wake of September 11 and other air traffic depressing events such as SARS, we

were forced to raise fees since cost mitigation efforts alone were not sufficient to offset lower movement-based fee revenue.

- However, with the return of traffic growth, we anticipate that we can return to our strategy of managing costs to be less than traffic growth so that our customer charges will decline over the long term as they were doing prior to 9/11.
- Modernization has accelerated and NAV CANADA has gained recognition as a world-class developer and vendor of leading-edge ATC systems. We have fully implemented numerous modernized systems that enhance safety, increase system capacity and improve efficiency. There are other new modernized systems in the pipeline. We have made such progress in modernization that we now are selling our systems to leading air navigation service providers such as the United Kingdom's National Air Traffic Services which purchased both our oceanic and automated tower/terminal systems.
- NAV CANADA has also dramatically streamlined its capital spending and system development processes. We spend about one-half of what Transport Canada did and are generating three times the product twice as fast.

Mr. Chairman, let me conclude by again thanking you, Ranking Member Costello and other Subcommittee Members for the opportunity to testify today. I am pleased to respond to your questions.